

NewsRoom

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February 16, 2006

Section: Metro

Arrests back unions' claims

Nancy Cambria ST. LOUIS POST-DISPATCH Reporter Mark Schlinkmann contributed to this report.

O'FALLON

The controversy: City and union officials suspected illegal immigrants have been working at a lower-income housing project in O'Fallon for less than the going wage.

What's next: The arrests pave the way for the government to investigate the employer and whether it knowingly hired illegal immigrants.

The arrest of five workers on immigration charges on their way to an area construction project is the evidence watchdogs say they need to prove that poor labor practices are taking place at the site.

O'Fallon police said they discovered the workers inside a passenger van in a routine speeding stop Friday morning. An investigation revealed that the driver and the passengers were living in the country illegally, police said.

The group was on its way to work at the O'Fallon Lakes apartment complex, a housing project for lower-income people off Veterans Memorial Highway, the police report said.

The men were taken into custody by the federal Immigration and Customs Enforcement office, said Carl Rusnok, an agency spokesman. Four of the men had prior immigration violations, and the fifth had a criminal record, which means each is subject to deportation hearings, he said.

O'Fallon City Administrator Robert Lowery said the arrests provided the government with proof that illegal immigrants were working at the site and opened the door for a needed investigation.

"The reason (the government) was doing the cold shoulder and didn't want to come here was because we didn't have any kind of proof," Lowery said.

When such arrests are made, Rusnok said it was customary for his agency to investigate the employer and the circumstances surrounding the employment to determine whether illegal immigrants were knowingly hired. Rusnok said he could not name the employer or comment specifically on investigations. One of the men arrested told police they were working for a contractor based out of Texas.

The project, originally introduced to O'Fallon aldermen by the Gundaker Commercial Group last year, is being primarily developed through Related Capital of New York and constructed through NRP Contractors, a Cleveland-based developer that routinely subcontracts with out-of-state contractors. It is backed by \$14.6 million in tax-exempt bonds issued by the Industrial Development Authority of St. Charles County in August 2004.

Gundaker Commercial Group could not be reached for comment.

Rick Bailey, a principal with NRP, said the company was unaware of the arrests or of any illegal worker activity on the site. He said NRP was not liable for the practices of its subcontractors.

For members of several local trade unions, including carpenters, bricklayers and electricians, the incident is proof that the developers have been using illegal labor. Representatives from several unions have repeatedly staged protest rallies at the construction site over the past two months.

Tom Heinsz, Carpenters' District Council Director of Organizing, said most out-of-state contractors failed to pay a prevailing wage -- an industry wage standard set by the average professional rate in a particular area. The local carpenter's union, which pays an average prevailing wage of \$26 an hour, was underbid by Texas firm Duo-Mark Construction by more than \$1 million. The situation has also prompted action by elected officials. Last month, O'Fallon Alderman Bob Patek successfully introduced an ordinance requiring contractors and subcontractors receiving any public money to supply workers compensation, pay a prevailing wage and verify U.S. citizenship or lawful status of all workers.

"Everybody needs affordable housing, but this isn't the way to do it," Patek said.

The St. Charles County Council is also grappling with the issue. It is currently withholding its \$56,700 subsidy to the Economic Development Center of St. Charles County, which runs the authority. It is thinking of ways to ensure that the Industrial Development Authority levels the playing field between local and out-of-state companies. In addition to O'Fallon Lakes, the authority also issued \$12.9 million in bonds for a similar housing project in Wentzville called Peine Lakes.

--- **Index References** ---

Company: INDUSTRIAL DEVELOPMENT AUTHORITY OF JEFFERSON COUNTY (THE)

News Subject: (Social Issues (ISO05); Immigration & Naturalization (IIM88); Labor Unions (ILA31); HR & Labor Management (1HR87); Business Management (1BU42))

Industry: (Housing (1HO38); Residential Real Estate (1RE67); Real Estate (1RE57))

Region: (Texas (1TE14); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

Other Indexing: (ECONOMIC DEVELOPMENT CENTER; FEDERAL IMMIGRATION AND CUSTOMS ENFORCEMENT; GUNDAKER COMMERCIAL GROUP; INDUSTRIAL DEVELOPMENT AUTHORITY; NRP; O) (Alderman Bob Patek; Carl Rusnok; Fallon Lakes; Lowery; O; O'Fallon; Patek; Representatives; Rick Bailey; Robert Lowery; Rusnok; Tom Heinsz)

Keywords:

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February 17, 2006

Section: Metro

Treasurer blasts project's officials

Nancy Cambria ST. LOUIS POST-DISPATCH Mark Schlinkmann of the Post-Dispatch contributed to this report.

O'FALLON

In the wake of the arrest and deportation of five illegal immigrants who were heading to work at a housing construction site in O'Fallon last week, state Treasurer Sarah Steelman blasted the project's financiers and developers. Steelman said Thursday that the use of illegal immigrants was inexcusable and intolerable, particularly on projects subsidized by tax credits and tax-exempt bonds.

"This state will not do business with developers who think they can rip off the taxpayers and workers of Missouri," she said.

Steelman said the Gundaker Commercial Group had misled her and other members of the Missouri Housing Development Commission about the labor being used at O'Fallon Lakes, an affordable housing project off Veterans Memorial Parkway.

Officials at Gundaker said Thursday that they were also appalled to learn illegal workers were being used at the site.

Steelman said Gundaker officials had assured commissioners last May that they would use local labor on the project. Gundaker officials were called before the commission at that time to respond to rumors that contractors were using out-of-state labor and illegal immigrants in both O'Fallon and a similar apartment project in Wentzville, she said.

"I felt we had assurances from Gundaker," Steelman said. "I had asked periodically about this, and the staff of MHDC was not aware of any problems."

Steelman, who heads the housing commission, said Mike Hejna, president and CEO of Gundaker Commercial Group, had also committed to using local contractors on the project. Gov. Matt Blunt is also a member of the nine-person commission, which administers state and federal low income housing tax credits.

The commission awarded \$600,000 in low income housing tax credits to the project and distributed an additional \$741,000 in federal tax credits to it. The project is also backed by \$14.6 million in tax-exempt bonds through the St. Charles County Industrial Development Authority.

In addition to Gundaker Commercial, two other companies are also under fire for their involvement in the project: Related Capital of New York, which is the controlling developer, and NRP Contractors of Cleveland, which is the contractor. NRP employs several out-of-state subcontractors to work on the site. Rick Bailey, a principal with NRP, said Wednesday that the company was not liable for the labor practices of its subcontractors.

Hejna said Friday that Gundaker would not tolerate the use of illegal workers at the construction site.

"It's a grave issue," Hejna said. "If NRP does not correct it, we'll legally petition them and the lender and ask that they be removed."

Hejna said Gundaker is a minority partner in the project and that Related Capital of New York has the ultimate authority to dismiss the contractor. Gundaker and one other local construction group had bid against NRP for the construction project, but Hejna said Gundaker was underbid by \$4 million after the commission's May meeting.

Steelman said that officials from Gundaker, NRP and Related Capital have been asked to appear today at the commission's regular meeting.

"In this case, it is wrong for them to be using these tax credits when they're using illegal immigrants and underbidding other businessmen in the area for that public project," she said.

Local labor unions are applauding the scrutiny.

"Finally we are able to get somebody's attention," said Tom Heinsz of the local carpenters union. "Let's hope it changes for the local businessman. He's the one who has to compete with this stuff."

The county's Industrial Development Authority has been under pressure by the County Council to tighten its rules for contractors on projects helped by tax-exempt bonds from the authority.

Greg Prestemon, the authority's executive director, said Thursday that he was deeply disappointed with the contractors at O'Fallon Lakes and that the authority would meet today to discuss enacting new controls on employment practices of contractors on projects it aids.

---- **Index References** ----

Company: INDUSTRIAL DEVELOPMENT AUTHORITY OF JEFFERSON COUNTY (THE)

News Subject: (Social Issues (1SO05); Taxation (1TA10); Socio Economic Groups (1SO18))

Industry: (Housing (1HO38); Accounting, Consulting & Legal Services (1AC73); Real Estate (1RE57))

Region: (Missouri (1MI10); North America (1NO39); New York (1NE72); Americas (1AM92); USA (1US73))

Language: EN

Other Indexing: (CHARLES COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY; COUNTY COUNCIL; GUNDAKER; GUNDAKER COMMERCIAL; GUNDAKER COMMERCIAL GROUP; GUNDAKER " STEELMAN; INDUSTRIAL DEVELOPMENT AUTHORITY; MHDC; MISSOURI HOUSING DEVELOPMENT COMMISSION; NRP; STEELMAN; TREASURER; TREASURER SARAH STEELMAN) (Fallon; Fallon Lakes; Finally; Greg Prestemon; Hejna; Lakes; Matt Blunt; Mike Hejna; O'Fallon; Rick Bailey; Tom Heinsz)

Keywords:

HOUSING;DEVELOPMENT;CONSTRUCTION;BUSINESS;ILLEGAL;EMPLOYMENT;STATE;REACTION;Gundaker Commercial Group;MISCONDUCT

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Section: Metro

CEO finds 7 illegal immigrants at job site

Nancy Cambria ST. LOUIS POST-DISPATCH

O'FALLON

The crackdown After learning that an illegal immigrant was discovered at the site on Monday, the CEO of Gundaker went and checked IDs himself.

The problem Racial profiling is a concern, says the leader of a Latino labor council.

A crackdown at the O'Fallon Lakes construction site by one of its developers resulted Tuesday in the arrest of seven illegal immigrants -- just days after the state treasurer blasted the project's developers for employing illegal workers.

Police went to the site off Veterans Memorial Parkway on Tuesday afternoon after receiving a call that people were on the site seeking worker identification.

Police expected to come to the aid of federal agents from the Immigration and Customs Enforcement agency, O'Fallon Capt. Kyle Kelley said. What they found instead were nine employees in hard hats from Gundaker Commercial Group checking identification papers.

"If they're not legal, then I don't want them on my building site," said Mike Hejna, president and CEO of Gundaker. "In terms of civil rights, I may be in murky water, but at this point, I don't care. I'm not going to be a part of a project this is going to have legal problems with the employment of illegal aliens."

The local issue mirrors national concerns about illegal immigrants and the country's immigration policies.

While responding to the site, an O'Fallon officer pulled over a van on Bryan Road for speeding and discovered seven passengers who were later determined to be in the country illegally by the immigration agency, Kelley said.

On Thursday, state Treasurer Sarah Steelman, who chairs the Missouri Housing Development Corp., criticized companies involved in the project -- Gundaker Commercial Group, NRP Contractors of Cleveland and Related Capital of New York -- after the arrest of five illegal immigrants en route to their project's work site on March 10. Hejna said he decided to personally begin checking residence status and identification papers of all employees at the site after learning of another arrest at the project Monday. In that case, police responded to a fight and discovered one of the participants was an illegal immigrant.

Kelley said police are concerned that similar confrontations may erupt at the site as a way to force investigations on other suspected illegal workers.

"Something needs to be addressed or taken care of before it escalates further," Kelley said.

Steelman said Tuesday that she is frustrated with the Immigration and Customs Enforcement agency, which would not confirm to her whether the project was under investigation.

"When there are these statements in an official police report and one of the offenders says he is working and living in the country illegally ... what other evidence do you need?" Steelman said.

Carl Rusnok, a spokesman for Immigration and Customs Enforcement, said the agency cannot comment on investigations, but said "it is routine to make inquiries regarding a work situation in which illegal aliens have been found."

The Missouri Housing Development Corp. approved \$1.4 million in federal and state tax credits to the developers, who are building 266 affordable apartments. The credits are in addition to \$14.6 million in tax-exempt bonds issued by the county Industrial Development Authority; Related Capital is the primary holder of the bonds and the lead developer; NRP is the contractor and has been using several out-of-state subcontractors on the site. Gundaker is a minority shareholder in the project that will manage the completed apartments.

The housing agency will meet via teleconference today. Steelman said the group will take action to ensure illegal workers are never used on any project using taxpayer money.

Rick Bailey, a principal with NRP, said he was unaware of the additional arrests and declined to comment further.

The situation has sparked concern among the Latino-American community in the metro area.

"We've got enough manpower and industry in the union here to go and get those jobs. If they want Hispanics to work in those projects they should be paid equal through the union," said Francisco Martinez, a representative of the state chapter of the Union Labor Council for Latin American Advancement. Martinez says he also worries about possible racial profiling in O'Fallon.

"We're concerned they may see this as an issue where we're all put into one category," Martinez said.

Stephen Legomsky, an international law professor at Washington University in St. Louis, said employers and law enforcement can run into trouble if it appears investigations about residence status target a certain ethnic group.

"You cannot rely solely on ethnicity as a basis for asking questions," he said. "Even if the work force is predominantly perceived as Latino and they start asking questions of everyone. I think it's something they could be called out on."

---- Index References ----

Company: WASHINGTON UNIVERSITY; INDUSTRIAL DEVELOPMENT AUTHORITY OF JEFFERSON COUNTY (THE)

News Subject: (Social Issues (ISO05); Immigration & Naturalization (IIM88); Crime (ICR87); Smuggling & Illegal Trade (ISM35); Minority & Ethnic Groups (IMI43))

Industry: (Housing (1HO38); Real Estate (1RE57))

Region: (Missouri (1MI10); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

Other Indexing: (CUSTOMS ENFORCEMENT; CUSTOMS ENFORCEMENT AGENCY; GUNDAKER; GUNDAKER COMMERCIAL GROUP; IMMIGRATION; IMMIGRATION AND CUSTOMS ENFORCEMENT AGENCY; INDUSTRIAL DEVELOPMENT AUTHORITY; LATINO; MISSOURI HOUSING DEVELOPMENT CORP; NRP; UNION LABOR COUNCIL; WASHINGTON UNIVERSITY) (Carl Rusnok; Francisco Martinez; Hejna; Kelley; Kyle Kelley; Martinez; Mike Hejna; Rick Bailey; Steelman; Stephen Legomsky; Treasurer Sarah Steelman)

Keywords: IMMIGRATION; INVESTIGATION; ILLEGAL; EMPLOYMENT; CONSTRUCTION

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Section: News

Arrests here shine light on illegal workers at building sites

Nancy Cambria ST. LOUIS POST-DISPATCH

O'FALLON

New rules in store?

After illegal immigrants were found working at a publicly financed construction project in O'Fallon, state and local authorities look for ways to keep this from happening again.

People had been telling federal, state and local officials since April that something was not right at an O'Fallon construction site.

White vans with black, spray-painted windows arrived with workers before dawn and left after dusk. Workers labored seven days a week, including over Thanksgiving and Christmas.

Already incensed by the use of out-of-state workers on a publicly subsidized project, local unions cried foul to anyone who would listen. They alleged that the workers were illegal immigrants bused in from Texas by subcontractors. There was talk that workers were paid in cash and that the money flowed out of the country via wire transfers to Mexico.

"We tried to get a whole lot of people to look at that job, and nobody wanted to bite on it," said Tom Heinsz, an area Carpenters union official.

All that changed Feb. 10, when a van on its way to the site was stopped for speeding. Five illegal immigrants were arrested. About a week later, eight more were taken into custody by immigration officials: seven who were found during a traffic stop and one arrested for a fight on the construction site.

The case shouldn't be that surprising, even in a state with a relatively small number of illegal immigrants, said Jeff Passell, a demographer with the Pew Hispanic Center, which studies immigration. Behind farming and cleaning, construction ranks third in the concentration of illegal immigrant workers in the nation, he said.

Areas such as Arizona and Texas traditionally have had a high number of illegal immigrants building homes, but, Passell said, illegal workers are now following construction jobs into new areas of the country. In the past 15 years, Missouri's estimated population of illegal immigrants has increased from around 10,000 to more than 55,000, Passell said.

While that is about half of 1 percent of the nation's estimated 10 million illegal immigrants, "it's not an insignificant increase," Passell said.

Rethinking policies In the aftermath of the O'Fallon arrests, state and local officials who issued millions in bonds and approved tax credits for the project are struggling to find ways to ensure that legal labor practices are followed on publicly subsidized projects.

In the future, both the state housing corporation and the county authority are considering requiring payrolls that certify the legal status of workers, creating penalties for contractors and lenders, and asking employers to waive employee privacy rights so they can gain access to construction sites for spot checks.

The Missouri Housing Development Commission granted the affordable housing apartment complex \$1.4 million in state and federal tax credits. The county's Industrial Development Authority, an offshoot of the county's Economic Development Center, approved the project for \$14.6 million in tax-exempt bonds.

"To say we were disappointed with the apparent actions of the contractor and subcontractor is an understatement," said Greg Prestemon, the head of the Economic Development Center, which operates the Industrial Development Authority. "We're extremely angry."

In October, O'Fallon City Administrator Robert Lowery said officials had been personally reassured by Gundaker Commercial Group, the local developer affiliated with the \$25 million project, that no improper labor practices were taking place. They received similar assurances from the Economic Development Center.

"As far as they were concerned, this was a city of O'Fallon problem," Lowery said.

Lowery said the police reports proved what the union and city officials had suspected all along. Through broken English, one of the illegal immigrants told police he owed a man he called his uncle \$1,100 for his help to enter the country, and he worked as a laborer on the site to repay him. He was paid \$8 an hour -- well below the prevailing union wage of about \$26 -- and worked nine hours a day, seven days a week and sent most of his money to his family in Jalisco, Mexico.

Others told police they were paid in cash every Friday by a site supervisor. All of them said they worked for a subcontractor out of Texas. The federal Immigration and Customs Enforcement Agency found one of the workers was a juvenile. He was arrested with his father.

New accountability Prestemon said the Industrial Development Authority had little reason to suspect such labor abuses "in large part due to the strong reputation and name of Gundaker." The deal had been introduced to the authority by Mike Hejna, president and CEO of Gundaker, a local company that reported \$68 million in revenue in 2004. The construction company later hired for the project, NRP Contractors of Cleveland, is one of the top producers of affordable housing in the nation. And its primary financier, Related Capital of New York, reports \$8 billion in development and refers to itself as the national leader in financing government sponsored housing projects.

Rick Bailey, a principal with NRP, insisted that the company knew nothing about illegal labor on the site and deferred liability to its subcontractors. Andy Weil, managing director of Related Capital in New York, said his company was as shocked as everyone else about the workers and had never encountered illegal labor problems on other projects.

In April, amid growing rumors that the contractors on the site were breaking federal law by using illegal workers, Missouri Treasurer Sarah Steelman and former state Rep. Bill Luetkenhaus, both of the Missouri Housing Development Commission, asked Hejna to respond to the commission. Both said Hejna had assured them that the workers would be local and the labor legal. Luetkenhaus said that the response had appeased staff and board members but that they should have been looking harder.

Prestemon said once the bonds are sold, the authority has no ability to stop or impose sanctions on the project.

Hejna said Gundaker would never again structure a deal in which it was not the contractor. Despite protests from NRP, Hejna said workers from Gundaker now conduct morning identification checks at the site and turn away workers who fail to have the proper paperwork.

NRP contractors continue to work on the site, and the project's main financial backer, Related Capital, continues to employ NRP. Lowery said he believes Hejna's efforts have helped to reduce illegal workers at the site, but he thinks justice has not been served.

"Somebody has to be accountable here," he said. "We seem to punish the workers, and we let the contractors and subcontractors get away with this."

STLtoday.com/links Read earlier coverage of the immigration story.

---- **Index References** ----

Company: INDUSTRIAL DEVELOPMENT AUTHORITY OF JEFFERSON COUNTY (THE); DEVELOPMENT CENTER; STLTODAY COM

News Subject: (Social Issues (1SO05); Economics & Trade (1EC26); Economic Development Agencies (1EC15); Immigration & Naturalization (1IM88); Crime (1CR87); Smuggling & Illegal Trade (1SM35); Government (1GO80); Local Government (1LO75); Economic Development (1EC65))

Industry: (Construction Financing (1CO12); Construction Regulatory (1CO33); Real Estate (1RE57); Housing (1HO38); Residential Real Estate (1RE67); Real Estate Regulatory (1RE53); Construction (1CO11))

Region: (Missouri (1MI10); North America (1NO39); New York (1NE72); Mexico (1ME48); USA (1US73); Americas (1AM92); Texas (1TE14))

Language: EN

Other Indexing: (DEVELOPMENT CENTER; ECONOMIC DEVELOPMENT CENTER; FEDERAL IMMIGRATION AND CUSTOMS ENFORCEMENT AGENCY; GUNDAKER; GUNDAKER COMMERCIAL GROUP; INDUSTRIAL DEVELOPMENT AUTHORITY; MISSOURI HOUSING DEVELOPMENT COMMISSION; NRP; PEW HISPANIC CENTER; STLTODAY COM) (Andy Weil; Bill Luetkenhaus; Christmas; Greg Prestemon; Hejna; Jeff Passell; Lowery; Luetkenhaus; Mike Hejna; Missouri; Passell; Prestemon; Rethinking; Rick Bailey; Robert Lowery; Sarah Steelman; Tom Heinsz; White)

Keywords: IMMIGRATION;ILLEGAL;CONSTRUCTION;GOVERNMENT CONTRACT;LABOR;EMPLOYMENT

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Section: News

Tax credits may be lost over illegal workers

Nancy Cambria ST. LOUIS POST-DISPATCH

O'FALLON, MO.

The Missouri Housing and Development Commission is threatening to withhold tax credits on a housing project in O'Fallon where illegal immigrant workers were discovered last month.

On Friday, the commission agreed that Related Capital and CharterMac of New York, Gundaker Commercial Group of St. Louis and NRP Contractors of Cleveland must prove they have complied with all applicable labor laws on O'Fallon Lakes, an affordable-housing complex, before it would certify final construction costs.

If the commission does not certify the costs on the \$25 million project, the partners will be unable to use \$1.4 million in annual state and federal tax credits awarded by the commission for 10 years, said its chairwoman, Missouri Treasurer Sarah Steelman.

"It's really the only teeth we can put into a project like that where we are not the direct issuer of the bonds," Steelman said.

The partners will have to provide proof of legal status for every worker on the site as well as undergo a cost analysis review of the project by the commission. The review will determine whether the reported labor costs mesh with the substantial work done on the project, Steelman said.

Last month O'Fallon police arrested 13 illegal immigrants who said they had been working at the apartment complex off Veterans Memorial Parkway. They said they worked seven days a week on the site and were paid \$8 an hour cash by NRP subcontractors.

The discovery put the state housing commission and the county's Industrial Development Authority under intense political scrutiny. The county authority had approved \$14.6 million in tax-exempt bonds for the project.

Both agencies have since grappled with ways their agencies can enforce labor laws on subsidized projects. At Friday's commission meeting, members also agreed to take a hard line on any future project in which illegal workers are discovered.

Stelman said that a representative from NRP Contractors was at Friday's meeting but that his comments failed to convince her that appropriate action had been taken since the arrests.

--- **Index References** ---

Company: INDUSTRIAL DEVELOPMENT AUTHORITY OF JEFFERSON COUNTY (THE)

News Subject: (Taxation (1TA10); Local Taxing Authorities (1LO66))

Industry: (Accounting, Consulting & Legal Services (1AC73); Construction Regulatory (1CO33); Real Estate (1RE57); Residential Construction (1RE61); Housing (1HO38); Real Estate Regulatory (1RE53); Construction (1CO11))

Region: (Missouri (1MI10); North America (1NO39); USA (1US73); Americas (1AM92))

Language: EN

Other Indexing: (GUNDAKER COMMERCIAL GROUP; INDUSTRIAL DEVELOPMENT AUTHORITY; MISSOURI HOUSING AND DEVELOPMENT COMMISSION; MISSOURI TREASURER SARAH; NRP) (Steelman)

Keywords: TAX;DEVELOPMENT;CONSTRUCTION;LABOR;IMMIGRATION

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Section: Metro

Work stalls on complex after raid

Nancy Cambria ST. LOUIS POST-DISPATCH

O'FALLON

O'Fallon project delayed

Since the arrest of illegal workers, work has virtually stopped on a low-income housing complex.

Restarting the project

Gundaker Commercial Group wants to become the lead construction company, using local union workers.

Nearly two months after illegal immigrant workers were discovered at the construction site of a low-income housing complex, work is nearly at a standstill, and the scheduled October completion is in question.

"It's basically been shut down for eight weeks," said Thomas Heinsz, head of the Carpenters' District Council of Greater St. Louis and Vicinity. "Nobody wished for this situation."

Last fall, Heinsz and others complained to state and county officials about suspected illegal immigrant laborers on the O'Fallon Lakes project. The estimated \$25 million development received \$14.6 million in tax-exempt bonds from the St. Charles County Industrial Development Authority and \$1.4 million in state and federal tax credits.

The complaints went mostly unnoticed until February, when O'Fallon police arrested 13 illegal immigrants affiliated with the construction job. The men said they worked for subcontractors out of Texas employed by the project's construction company, NRP Contractors of Cleveland. They told police that they worked seven days a week, including holidays, and were paid in cash, most of which they wired to their families in Mexico.

The arrests led the project's local partner, Gundaker Commercial Group, to run spot checks, supervised by its president, Mike Hejna, at the site for illegal workers.

Since those checks in February, NRP has had only a handful of its 200 subcontractors on the project, which is only about 30 percent completed. NRP is in the process of re-bidding subcontracting work to include Missouri workers, Hejna said.

NRP officials could not be reached for comment.

Hejna said Gundaker was hoping to gain control of the project from the primary partner, Related Capital of New York, and has taken action to become the lead construction company. If it does, Hejna said, the job will utilize only local union contractors.

Located off Veterans Memorial Parkway in western O'Fallon, the 266-unit apartment complex will offer reduced rent for workers who make less than 60 percent of the area's median income.

Bill Luetkenhaus, a member of the Missouri Housing Development Commission, which awarded the tax credits, said he had conducted two "productive" meetings between Gundaker and local trade unions to enable Gundaker to take control and complete the stalled project using local union workers.

"We said, 'Let's try to turn this into a positive,'" Luetkenhaus said. "Obviously Gundaker has had very stressed relationships with organized labor and the labor unions."

For Gundaker to take control, several obstacles need to be overcome. NRP's winning construction bid on the project was \$4 million less than any bids made by local union contractors. Luetkenhaus and others said the figure hinged on NRP's use of inexpensive subcontractors, which, in turn, used cheap, illegal labor.

"The bids that were submitted and the package that was given to the state was not priced at a rate in which you could use Missouri workers and local tradesmen," he said.

Gundaker recently re-solicited bids on the project, but the bids were still too high to meet the budget, Luetkenhaus said.

"The bids were not competitive enough to close the gap we had to make up to keep the project in budget," he said.

Hejna said Gundaker had pledged to fold all its profits from the construction and its tax credit income -- about \$2 million worth of profits -- back into the project to help close the budget gap. In addition, the state Housing Commission is considering increasing its state tax credit pledge, which would automatically trigger an increase in federal tax credits.

Local unions are considering some work-rule concessions to keep costs down, though Hejna said he did not see any indication of that in the last round of bids. Finally, Luetkenhaus said, he hopes a local union pension fund will invest and become an equity partner in the project.

The state Housing Commission would have to ultimately sign off on a restructured project deal, but it also faces another obstacle: Related Capital must agree to fire NRP.

"I made it very clear if I was going to spearhead this effort and pull our parties together, NRP has to go," Luetkenhaus said.

"NRP came and talked to us in February; they were not repentful for their actions."

Although Gundaker hopes to see the project fully completed by October, Luetkenhaus said the Housing Commission will not be able to formally address the revised project until its May meeting at the earliest. Its next meeting is today, and preliminary details are to be discussed, he said.

Hejna said, "We're not trying to make any money on this project. We're just trying to get it done."

---- **Index References** ----

News Subject: (Social Issues (1SO05); Taxation (1TA10); Labor Unions (1LA31); Local Taxing Authorities (1LO66); HR & Labor Management (1HR87); Socio Economic Groups (1SO18); Business Management (1BU42))

Industry: (Engineering (1EN73); Accounting, Consulting & Legal Services (1AC73); Real Estate (1RE57); Residential Construction (1RE61); Housing (1HO38); Residential Real Estate (1RE67); Construction (1CO11))

Region: (Missouri (1MI10); North America (1NO39); USA (1US73); Americas (1AM92))

Language: EN

Other Indexing: (CARPENTERS; CHARLES COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY; HOUSING COMMISSION; MISSOURI HOUSING DEVELOPMENT COMMISSION; NRP; STATE HOUSING; STATE HOUSING COMMISSION) (Bill Luetkenhaus; Fallon; Gundaker; Gundaker Commercial; Heinsz; Hejna; Located; Luetkenhaus; Mike Hejna; O'Fallon; Thomas Heinsz)

Keywords: ILLEGAL;LABOR;ARREST;HOUSING;CONSTRUCTION;DELAY

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Word Count: 975

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June 15, 2006

Section: News

Investor in O'Fallon Lakes sees project getting on track

Nancy Cambria ST. LOUIS POST-DISPATCH

O'FALLON

Despite a stalemate in negotiations between union officials and Gundaker Commercial Group, the company's president said Wednesday that he is confident a beleaguered affordable housing complex will be completed by next spring by union tradesmen.

"It is my full expectation that O'Fallon Lakes will be completed on approximately the original time frame with a slight delay," said Gundaker President Mike Hejna.

It has been 16 weeks since construction at the site off Veterans Memorial Parkway ground nearly to a halt after 13 illegal immigrants were discovered working for a subcontractor. The approximately \$25 million project received \$14.6 million in tax-exempt bonds from the St. Charles County Industrial Development Authority and \$1.4 million in state and federal tax credits administered by the Missouri Housing Development Commission.

Late last year, construction work at the 266-unit apartment complex came under intense scrutiny after local unions accused the project's contractor, NRP of Cleveland, of employing subcontractors that used undocumented workers. The ensuing arrests in February supported the claims. According to police reports, the workers said they worked seven days a week and holidays, were paid in cash and sent most of their money back to families in Mexico.

Although Gundaker is the local investor in the project, it is a minority partner and does not have control of the general contractor. However, after the initial round of arrests, Hejna, who requested the state tax credits and county bonds for the project, was sharply criticized not only by local unions, but by city, county and state officials, including state Treasurer Sarah Steelman, who chairs the Missouri Housing Development Commission. Ever since, Gundaker has been trying to gain controlling interest in the project to complete it using union workers.

Former state Rep. Bill Luetkenhaus, also a member of the Housing Development Commission, had tried to persuade unions to invest in the project through their national pension funds to get the project on track. The move would have enabled Gundaker and the unions to buy out the 60 percent controlling interest in the project from New York-based national lender Charter Mac -- a move that is supported by the lender, Hejna said.

With that control, Gundaker would have been able to become the general contractor on the project, and basically dismiss NRP.

But both Tom Heinsz, organizer for the Carpenters' District Council of Greater St. Louis and Vicinity, and Hejna said the unions have so far declined the offer.

Heinsz said the pension funds prefer four-year investment terms, but the state's housing commission requires a 15-year commitment from investors of subsidized affordable housing. He said it appeared that the funds' financial managers were also leery of investing in a half-completed project.

Hejna said it is a missed opportunity for the unions.

"Union pension funds should be willing to invest in projects that generate union work," he said. "There's no better opportunity."

Hejna said it is now unlikely Gundaker and other local investors will take controlling interest in the project. But he said negotiations with several parties are nearly complete and that a resulting deal would enable Gundaker to take over the construction contract from NRP. If that occurs, work will begin immediately on the site with union tradesmen, Hejna said. The move may come with a significant cost to Gundaker because the company could have to make up \$4 million in shortfalls in anticipated construction costs. Union officials and others associated with the project contend that NRP's original construction bid undercut local union contractors because it was based on the use of cheap, illegal and nontaxed labor. NRP officials deny the allegation.

Hejna declined to discuss proposed solutions to the shortfall but said he hopes to have a new financing deal in place by next week. The Missouri Housing Development Commission meets today and Friday for both a planning session and a regular meeting, and Luetkenhaus said the issue will be discussed.

In the meantime, just a handful of workers are currently at the site, mostly working on road widening just off the property. Much of the exposed framing timber has turned gray from weather exposure.

"The hot sun and the rain is really harsh on the wood," Luetkenhaus said. "It twists it and it warps it. It's important to get those buildings closed up before winter comes."

--- Index References ---

Industry: (Housing (1HO38); Residential Real Estate (1RE67); Real Estate (1RE57))

Region: (Missouri (1MI10); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

Other Indexing: (CARPENTERS; CHARLES COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY; GUNDAKER; GUNDAKER COMMERCIAL GROUP; HOUSING DEVELOPMENT COMMISSION; MISSOURI HOUSING DEVELOPMENT COMMISSION; NRP) (Bill Luetkenhaus; Charter Mac; Heinsz; Hejna; Luetkenhaus; Mike Hejna; Tom Heinsz; Treasurer Sarah Steelman)

Keywords: DEVELOPMENT;EMPLOYMENT;FINANCE;HOUSING;ILLEGAL;LOCAL;NEGOTIATION

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June 28, 2006

Section: Metro

Gundaker takes over at O'Fallon Lakes

Nancy Cambria ST. LOUIS POST-DISPATCH

O'FALLON

The lead investor in the delayed O'Fallon Lakes affordable-housing project has terminated its construction contract with NRP of Cleveland and awarded it to Gundaker Commercial Group of Clayton.

State Treasurer Sarah Steelman, chair of the Missouri Housing Development Commission, said Charter MAC of New York has officially transferred construction responsibilities to Gundaker, a local investor in the project. The commission awarded \$1.4 million in federal and state tax credits to the project. The 266-unit apartment complex, off Veterans Memorial Parkway in O'Fallon, also received \$14.6 million in tax-exempt bonds from the county's Industrial Development Authority.

In March, work came to a standstill on the project after illegal immigrants were discovered working for NRP subcontractors at the site. The incident caused a firestorm among local unions, elected officials and the Housing Development Commission.

The commission has since strengthened its policies so that all banks and other financing institutions involved with state-subsidized housing projects must comply with all labor laws as well as wage requirements.

Mike Hejna, president of Gundaker, said the company is contracting with 10 to 14 local union trade contractors to complete the project, which still needs about \$15 million in construction work. Total construction on the project is expected to cost about \$25 million, he said. Hejna said he expects the project to be completed by early next year.

---- Index References ----

Company: INDUSTRIAL DEVELOPMENT AUTHORITY OF JEFFERSON COUNTY (THE)

Industry: (Housing (1HO38); Residential Real Estate (1RE67); Real Estate (1RE57))

Region: (North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

Other Indexing: (GUNDAKER COMMERCIAL GROUP; HOUSING DEVELOPMENT COMMISSION; INDUSTRIAL DEVELOPMENT AUTHORITY; MISSOURI HOUSING DEVELOPMENT COMMISSION; NRP; VETERANS MEMORIAL PARKWAY) (Gundaker; Hejna; Mike Hejna; Sarah Steelman)

Keywords: CONSTRUCTION;CONTRACT;IMMIGRATION

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Word Count: 296

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2007 WLNR 19570388

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October 4, 2007

Section: Metro

Nixon alleges 'secret bailout' for O'Fallon project

Nancy Cambria ST. LOUIS POST-DISPATCH The Associated Press contributed to this report.

Missouri Attorney General Jay Nixon lambasted some members of the state's housing commission Wednesday, accusing them of granting a "secret bailout" worth millions in additional tax breaks to a development tied to illegal immigrant labor in O'Fallon.

Nixon said the commission, under the guidance of then-chair, state Treasurer Sarah Steelman, and its executive director, Peter Ramsel, bypassed a required full commission vote and promised some \$4 million in additional state tax credits to Gundaker Commercial Group in August 2006. He called for the commission to immediately block the credits, which have yet to be issued.

The additional credits were intended to help Gundaker, a minority investor, buy out the contractor in the complex partnership and pay for more expensive union labor to finish the project. In February of last year, subcontractors for NRP of Cleveland were found to be using illegal immigrant workers at the construction site.

Steelman said Wednesday that Nixon's remarks were politically motivated. Nixon, a Democrat, is running for governor; Steelman is a Republican.

"Nothing was done in secret," she said. "I wanted to make sure Gundaker didn't get any tax credits if it was going to have illegal workers. They fixed it, and they hired all union labor."

Ramsel could not be reached for comment. The commission's chairman, Richard Baalman, pledged Wednesday to look into the matter.

In total, Gundaker has been promised more than \$21.4 million in state and federal tax credits through the commission and \$16.6 million in tax exempt bonds for the project.

Mike Hejna, president of Gundaker, said his company never employed the illegal labor and defended the additional tax breaks.

"They were awarded to the project so the project could afford to hire local union tradesman to complete the work," he said.

Nixon's office is also investigating allegations of illegal immigrant workers at another O'Fallon project receiving tax credits.

Nixon said not only was Steelman involved in the Gundaker tax credit decision, but it also included Gov. Matt Blunt's then-representative to the commission, Rob Monsees. Last year both Steelman and Blunt called for sanctions and other punishments of Gundaker after the arrests of undocumented workers on the site.

"These documents reveal that while some were firing news releases condemning Gundaker's use of undocumented workers out the front door, millions in state tax credits and tax-exempt bonds were being secretly funneled to Gundaker out the back door," Nixon said.

Nixon and Blunt, the likely contestants for next year's gubernatorial election, have sparred about immigration policies.

Richard Chrismer, a spokesman for Blunt, said Nixon and the entire housing commission were aware of the situation with Gundaker, and that Nixon should back Blunt's initiatives instead of lambasting Steelman. Blunt has called for a lifetime tax credit ban against developers who use illegal labor.

Housing commission internal e-mails provided by Nixon's office indicate that Steelman, Ramsel and various aides at first negotiated giving Gundaker a loan on behalf of the commission. That was later scrapped for the additional tax credits - of which Ramsel said "the downside is that we just rewarded bad behavior."

In one e-mail to Steelman's deputy treasurer, Doug Gaston, Ramsel proposed that "we do our thing very quietly, and at the staff level."

News of the additional tax credits infuriated O'Fallon officials.

"The left hand is giving the money out, while the right hand is shaking the finger," said O'Fallon Mayor Donna Morrow.

---- **Index References** ----

News Subject: (Local Taxing Authorities (1LO66); Social Issues (1SO05); Taxation (1TA10); Immigration & Naturalization (1IM88))

Industry: (Accounting, Consulting & Legal Services (1AC73))

Region: (North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

Other Indexing: (GUNDAKER; GUNDAKER COMMERCIAL GROUP) (Blunt; Donna Morrow; Doug Gaston; Fallon; Jay Nixon; Matt Blunt; Mike Hejna; Missouri Attorney; Nixon; O'Fallon; Peter Ramsel; Ramsel; Richard Baalman; Richard Chrismer; Rob Monsees; Steelman; Treasurer Sarah Steelman)

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Word Count: 714

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December 27, 2007

Section: Metro

Controversial tax credits granted

Joel Currier ST. LOUIS POST DISPATCH

O'FALLON, MO.

The state housing development commission has awarded a beleaguered housing project nearly \$9 million more in tax credits.

The Missouri Housing Development Commission last week approved \$8.85 million more in state and federal tax credits over 10 years to cover some construction costs for Gundaker Commercial Group, developer of the 266-unit O'Fallon Lakes apartment complex. Gundaker had been eligible for up to \$10.7 million in credits over 10 years.

After illegal workers were found at the site, Gundaker took over the development and used local union trade contractors to finish the job.

Brandon Laster, spokesman for the state's housing commission, said Wednesday the decision was not meant to reward job sites with undocumented workers.

"Our goal was to get this project done for the least amount of cost to Missouri taxpayers," Laster said. "We want to be sure that none of these job sites that have state tax credits employ illegal workers. That's a top concern for us."

The \$34.5 million project completed this fall had already received \$1.4 million in state and federal tax credits through the state housing commission and another \$14.6 million in tax-exempt bonds from the St. Charles County Industrial Development Authority. Construction of the complex, which began in 2004, has faced intense scrutiny after illegal immigrants found in O'Fallon said they were working for subcontractors for the Cleveland-based firm NRP. Gundaker, a partner in the project, later took over the development.

Mike Hejna, president of Gundaker, said the commission should have allocated the maximum eligible tax credit because his company is facing a \$7 million shortfall stemming from higher loan payments as well as increased labor and material costs.

"We stepped in to fix a problem that we didn't cause," Hejna said. "We would have been much better off walking away from the project, but the O'Fallon community would have been negatively impacted."

O'Fallon City Administrator Robert Lowery Jr. said he is disappointed with the commission's decision and criticized it for what he says is a failure to address the practice of hiring illegal workers. The problem, he says, has twice hurt the city over the past two years.

"That's where this whole mess began - with O'Fallon Lakes," Lowery said.

Mayor Donna Morrow says the troubles over the O'Fallon Lakes development exposes the lack of local government oversight in state-supported affordable housing projects.

Last Thursday, prosecutors accused an Oklahoma-based drywall company of using bogus Social Security numbers for workers building another apartment complex in O'Fallon, and avoiding paying state withholding tax. The 220-unit affordable-housing complex, Southernside, is partly funded by more than \$26 million in state and federal tax credits and tax-exempt bonds. The site has been linked to illegal immigrant workers by city and union officials.

Correction published Friday, December 28, 2007.

The Missouri Housing Development Commission has awarded a \$2.85 million tax credit increase to Gundaker Commercial Group's affordable-housing project, O'Fallon Lakes. An incorrect figure was reported in some editions of Thursday's Metro section.

---- **Index References** ----

News Subject: (Social Issues (1SO05); Taxation (1TA10); Local Taxing Authorities (1LO66); Socio Economic Groups (1SO18); Government (1GO80); Local Government (1LO75))

Industry: (Accounting, Consulting & Legal Services (1AC73); Construction Regulatory (1CO33); Real Estate (1RE57); Residential Construction (1RE61); Housing (1HO38); Residential Real Estate (1RE67); Real Estate Regulatory (1RE53); Construction (1CO11))

Region: (Missouri (1MI10); North America (1NO39); USA (1US73); Americas (1AM92))

Language: EN

Other Indexing: (CHARLES COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY; CONTROVERSIAL; GUNDAKER; GUNDAKER COMMERCIAL GROUP; MISSOURI; MISSOURI HOUSING DEVELOPMENT COMMISSION; O) (Brandon Laster; Correction; Donna Morrow; Fallon; Hejna; Laster; Mike Hejna; Robert Lowery Jr.; Southernside)

Keywords: TAX;DEVELOPMENT;BUSINESS;CONSTRUCTION;IMMIGRATION

Edition: Third Edition

Word Count: 639

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June 6, 2008

Section: Main

Content of Steelman's immigration ad disputed

June 6, 2008

News-Leader

State Treasurer Sarah Steelman flexes her tough-on-illegal-immigration muscles in a television ad now airing on channels across the Ozarks.

Staff

"When a company on a state building project hired illegal immigrants with criminal violations, Sarah Steelman blocked state tax credits, forced the company off the job, replacing illegal workers with new Missouri jobs," the announcer says.

But like many campaign ads this election season, there's more to the story behind the 30 seconds used to package Steelman's record on immigration issues.

In actuality, there were three companies Steelman first took to task in a Feb. 16, 2006 press release after five illegal immigrants were found on a state housing development job site: NRP Contractors, Related Capital of New York and Gundaker Commercial Group of Chesterfield.

"The use of illegal aliens is inexcusable and will not be tolerated," Steelman said in a statement at the time. "This practice is going to stop. The state will not do business with developers who think they can rip off the taxpayers and workers of Missouri."

But under Steelman's direction as chair of the Missouri Housing Development Commission, the state later did "do business" with Gundaker.

The company did not, however, receive a tax credit in the affordable housing project in St. Charles County involving illegal workers.

NRP Contractors of Cleveland is the company the television ad is meant to reference, not Gundaker, Steelman said.

Gundaker was a minor partner in the project, handling just the real estate transaction and agreeing to manage the 266-unit complex once construction was complete, said Mike Hejna, president and CEO of Gundaker.

After Federal Immigration and Naturalization Service agents refused to crack down on NRP's use of subcontractors with undocumented workers, Hejna said he and his staff personally ordered the illegal workers off the job site after requesting to see valid identification from all workers on site.

"With Sarah Steelman's help, we ended up influencing the (bank) to fire NRP, and at cost to Gundaker Commercial Group, we took over the project, which is still controlled by a bank," Hejna told the News-Leader on Thursday.

Since NRP was the principle partner in the O'Fallon Missouri Housing Development construction site, Steelman said Gundaker's hands were tied and it couldn't control NRP subcontractors for hiring undocumented workers.

"Gundaker couldn't do anything because NRP was the controlling partner," Steelman told the News-Leader.

Five months after the bust at job site in O'Fallon, the state housing commission Steelman controls approved \$4 million in new state tax credits for Gundaker housing projects in St. Louis, state records show. In April 2007, Gundaker received part of a \$58 million state bond for another affordable housing project.

And since June 2006, Steelman has received \$19,575 from Gundaker and its related entities -- \$12,150 of which was deposited into Steelman's gubernatorial campaign coffers in March, according to records on file with the Missouri Ethics Commission.

Although Steelman and other politicians initially chastised Gundaker following the discovery of illegal workers, Hejna said there was a rush to judgment and his company was eventually exonerated. Since they were a partner in the project, there was guilt by association, Hejna said.

But more than two years later, Steelman's Republican primary opponent, U.S. Rep. Kenny Hulshof, and the Missouri Democratic Party are seeking to politically capitalize on Steelman's initial press release, which implicates Gundaker.

"Political parties tend to take brief versions of that and spin it for political purposes," Hejna said. "We are donors for both Republicans and Democrats and are proud of the fact of those folks we support because we feel they provide great leadership to the state. It's unfair to Sarah because she took a leadership role in it."

The television ad, which has been airing heavily in politically conservative southwest Missouri, says Steelman has the "guts" to be governor.

Labeling the television ad as "false advertising," the Missouri Democratic Party on Thursday called on Steelman to return the money -- a demand she refused to comply with.

"It takes 'guts' to run an ad that misleading," said Jack Cardetti, spokesman for the Missouri Democratic Party. "It just seems extremely hypocritical."

Stelman said she's done nothing wrong and that Gundaker's donations were not solicited as a favor for tax credits and state projects.

"I get lots and lots of contributions from people and companies," Steelman told the News-Leader. "I think these charges are just ridiculous."

Stelman said she took on NRP because Attorney General Jay Nixon, a member of the housing commission, was "nowhere to be found to solve this."

"So I stepped up to the plate and did something," Steelman said.

Nixon was absent from 26 of the housing commission's 28 meetings from January 2005 to August 2007, according to the official minutes of those meetings. A spokesman for Nixon said when the Democratic attorney general wasn't present at state meetings, he always sent a representative.

Campaign 2008: View the latest campaign commercials from Republican gubernatorial candidates Kenny Hulshof and Sarah Steelman.

Election forum: Join us online to discuss the fall campaign. Who do you support and why? You can participate by creating an account in our forum today at News-Leader.com/forums/elections

---- **Index References** ----

Company: FALLON

News Subject: (Taxation (1TA10); Social Issues (1SO05); Public Affairs (1PU31); Local Taxing Authorities (1LO66); Immigration & Naturalization (1IM88); Government (1GO80); Political Parties (1PO73))

Industry: (Accounting, Consulting & Legal Services (1AC73); Real Estate (1RE57); Housing (1HO38); Press Releases (1PR19))

Region: (Missouri (1MI10); North America (1NO39); USA (1US73); Americas (1AM92))

Language: EN

Other Indexing: (FALLON; FALLON MISSOURI HOUSING DEVELOPMENT; FEDERAL IMMIGRATION AND NATURALIZATION SERVICE; GUNDAKER; GUNDAKER COMMERCIAL GROUP; MISSOURI; MISSOURI DEMOCRATIC PARTY; MISSOURI ETHICS COMMISSION; MISSOURI HOUSING DEVELOPMENT COMMISSION; NRP; SARAH; SARAH STEELMAN; STATE TREASURER SARAH STEELMAN; STEELMAN) (Content; Democrats; Hejna; Jack Cardetti; Jay Nixon; Kenny Hulshof; Mike Hejna; News; Nixon; Republicans)

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